MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

DTX5014 – TAXATION 1

(All Sections/Groups)

05 MARCH 2020

9.00 a.m. - 12.00 p.m.

(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 13 pages with 4 questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Part A

Mr. Ben is a young respected painter originated from Ireland. He stayed in Malaysia since he owned a gallery in Malaysia. However, he frequently traveled to other countries to fulfill the invitation of painting exhibition. The followings are his periods of stay in Malaysia from year 2013 until 2019:

Year	Periods of stay in Malaysia
2013	1 January to 15 February
	10 March to 8 May
	5 September to 1 November
	15 December to 31 December
2014	1 January to 24 April
	10 November to 17 December
2015	1 January to 11 August
	1 October to 8 November
2016	1 January to 3 February
	22 June to 2 July
	1 November to 16 December
2018	16 September to 31 October
	1 November to 31 December
2019	1 January to 5 July

Additional information:

a) Mr. Ben went to Japan on 16 February until 9 March 2013 for seminar.

b) Mr. Ben went to Singapore for a social visit from 18 to 31 December 2014.

c) Mr. Ben left Malaysia on 5 July 2019 at 9 a.m. flight and has no intention to come back.

Required

Determine the residence status of Mr. Ben for the Years of Assessment (YA) 2013 to 2019. Give reasons and quote the relevant provisions of the Income Tax Act 1967 to support your answer. (15 marks)

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Part B

a) 'Temporary absence from Malaysia' is treated as 'in Malaysia' for the purpose of ascertaining the residence status in Section 7(1)(b). Prior to the year of assessment (YA) 2002, temporary absence is only allowed to form the consecutive 182 days.

The temporary absence includes social visits. Give **THREE (3)** characteristics of social visits. (3 marks)

b) Compute the income tax payable for the year of assessment 2019 for the following independent situations:
Show all necessary workings

(i) Kerawang Sdn Bhd has a paid up capital of RM2.6 million as at 1/1/2019. The company's chargeable income ended 31/12/2019 is RM 1,100,600.

(ii) Pitsturee Sdn Bhd has a paid up capital of RM2.5 million as at 1/6/2018. The company's chargeable income ended 30/5/2019 is RM830,190.

(iii) Amir stays in Malaysia for 160 days in the year 2019 and he has a chargeable income of RM61,840 during the year.

(iv) Karyna stays in Malaysia for 210 days in year 2019 and she has chargeable income of RM67,815 during the year.

(v) Darren is a non-resident in Malaysia during year 2019 but he has chargeable income of RM100,300 during the year.

(7 marks)

(Total: 25 marks)

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QUESTION 2

Part A

En. Rizalman is a senior engineer at Bright Berhad. He is employed by the company since 12 years ago. However, En. Rizalman received a better offer at Sempurna Corporation where he started working on 1 September 2019. The remunerations received by him for year 2019 from both companies are as follows:

	1 January to 31 August	**1 September to 31 December**
	RM	**RM**
Salary	92,800	56,800
Entertainment allowance	8,400	5,200
Bonus	1.5 months' salary	-

The following benefits was given to En. Rizalman by his former company, Bright Berhad from 1 January to 31 August 2019, otherwise stated:

a) A five-years-old car and fuel is provided by the employer. The cost of the car when new was RM90,000.

b) Monthly travelling allowance for official duties was RM870.

c) A semi-furnished house (with air-conditioner) was provided to En. Rizalman from year 2018 until the last day of working with a monthly rental of RM1,350 (including furniture of RM140).

d) Utility bills under En. Rizalman's name amounted to RM6,840.

e) A domestic servant and a gardener employed by Bright Berhad at a monthly salary of RM700 each.

f) Two leave passages for En. Rizalman and his wife: one leave passage to New Zealand (Airfare at RM3,210 each and accommodation at RM4,400 in total; and another leave passage to Kelantan with a total cost of RM1,700.

g) RM1,500 of dental expenses for En. Rizalman and his family.

h) RM3,000 of tuition fees being reimbursed for his daughter's education at a local university.

i) Smart phone and internet broadband subscription under company's name amounted to RM3,700.

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j) Entrance fee of RM 2,400 and subscriptions of RM255 per month for an individual membership of a sports club.

k) Monthly expenses for part-time driver at RM600 paid by Bright Berhad.

l) Cash of RM7,000 for long service award during annual dinner on 31 March 2019.

m) En. Rizalman contributed to an unapproved fund while working and he received RM87,000 comprising of RM38,000 contributed by him and RM49,000 contributed by Bright Berhad.

n) En. Rizalman would make a claim in his tax return for entertainment expenses of RM6,500 and travelling expenses of RM7,000 in carrying out his official duties.

Required

Compute the statutory employment income of En. Rizalman while working with Bright Berhad for the year of assessment 2019. Round up your answer to the nearest Ringgit Malaysia (RM).

(15 marks)

Part B

On 1 June 2014, Carllotte Sdn Bhd commenced their business with an authorised capital of RM1,200,000. On 1 August 2014, the company started to prepare their first set of accounts until 31 December 2014. On 1 September 2015, the company called upon a meeting and decided to change the accounting date to 30 June.

In July 2017, Carllotte Sdn Bhd became the subsidiary of Anglyer Sdn Bhd and decided to reshuffle its accounting date to 30 September to conform the group's accounting date.

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The adjusted income/(loss) for the respective accounting periods are as follows:

Accounting period	Adjusted income/(loss)
1.6.2014 – 31.12.2014	RM210,000
1.1.2015 – 31.12.2015	168,000
1.1.2016 – 30.6.2016	256,500
1.7.2016 – 30.6.2018	(403,200)
1.7.2018 – 30.9.2019	136,400

Required

Determine the basis period and compute the adjusted income/(loss) of Carllotte Sdn Bhd for all the relevant years of assessment.

Show all necessary workings. (10 marks)

(Total: 25 marks)

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QUESTION 3

Part A

Brilliant Developer Berhad has several rented residential properties around Melaka. They provided the following information regarding its residential properties for the year ended 31 December 2019:

	Receipts (RM)	Payments (RM)
1) Bungalow, Cheng		
Rental - January to March 2019	Vacant	
- April to December 2019	42,400	
- December 2019 to January 2020	10,600	
Refundable deposit	8,000	
Utility deposit	500	
Deposit refunded to former tenant		3,000
Assessment		2,100
Quit rent - 2018 and 2019		1,600
- Penalty of late payment of quit rent		200
Repairs (carried out in February 2019):		
- Repainting		3,400
- Renovation to kitchen and toilet		15,800
- Replacement of damaged tiles		28,200
Management fees		630
2) Villa, Ayer Keroh		
Rental - January to May 2019	Vacant	
- June 2019 to January 2020	99,200	
Refundable deposit	24,800	
Utility deposit	1,500	
Deposit refunded to former tenant		6,200
Cost to obtaining tenant to replace the old tenant		300
Villa assessment		6,700
Quit rent - 2019		1,300
Repairs (carried out in February 2019):		
- Repainting		9,700
- Installation of air-conditioning unit		4,100
- Renovate the hall		20,500
- Plumbing repairs		13,300
Security services		1,800

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Interest on loan (January to December)		5,600
Fire insurance		720

Required

Based on the above information, calculate the Aggregate Adjusted Income for Brilliant Developer Berhad for the year of assessment 2019. (15 marks)

Part B

Kembang Berhad is a manufacturing company which operated since 7 years ago with paid up capital of RM1.8 million. The company submitted the following information for the year ended 30 September 2019:

	RM
• Gross income	154,000
• Expenditure (including depreciation RM5,600 and donation to approved institution RM4,000)	102,000
• Unabsorbed business loss b/f	5,300
• Capital allowances – current year	58,100
• Balancing charge	4,400
• Unabsorbed capital allowance b/f	5,000
• Dividend income	12,000
• Royalty	20,000
• Interest received	6,700
• Rental income	12,300

Compute Kembang Berhad's income tax payable for YA 2019. (10 marks)

(Total: 25 marks)

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QUESTION 4

Encik Nik and Encik Fahim are best friend since teenagers. In fact, they are also working in the same private company in good position. Both of them are married but their wives are not working. Following are the independent details on income earned and expenses incurred by both Encik Nik and Encik Fahim in year 2019:

	Encik Nik (RM)	**Encik Fahim (RM)**
Income:		
Salary	142,000	160,000
Yearly tax deduction (MTD)	1,200	1,400
Expenses:		
EPF	18,000	20,000
Medical expenses (parents)	3,800	6,100
Medical examination (serious disease)	5,400	4,900
Life insurance	1,000	1,300
Insurance premium on education	-	1,500
Deposit to SSPN for children	4,000	2,000
Purchase of reading materials	750	1,120
Gym membership fee	200	-
Kindergarten fees	400	-
Zakat	500	600

Additional information:

1. Encik Nik is earning a side income from car rental amounted to RM19,200 a year.
2. Encik Fahim's wife is disabled.
3. Encik Fahim bought a wheelchair worth RM5,300 for his father because he could not walk anymore.
4. Encik Nik purchase a laptop worth RM2,200 for his first child.

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5. Encik Nik has 3 children, while Encik Fahim has 5 children. The details of their children are as follow:

Encik Nik	Encik Fahim
Child 1: Above 18 years old, unmarried and studying at local university	Child 1: Above 18 years old, married
Child 2: Below 18 years old, in secondary school	Child 2: Above 18 years old, unmarried and studying at Australian university.
Child 3: Below 18 years old, in kindergarten and disabled	Child 3: Above 18 years old, unmarried and studying at local university.
	Child 4: Below 18 years old, in secondary school
	Child 5: Below 18 years old, in primary school

Required

(a) Compute the income tax payable (separately) for Encik Nik and Encik Fahim for the year of assessment 2019. (22 marks)

(b) In tax filing, there are two types of individual assessment which are separate assessment and joint assessment. List **TWO (2)** conditions where the wife may be eligible to be assessed under joint assessment. (2 marks)

(c) Under joint assessment, what is the effect when the wife (not disabled) is receiving overseas income exceeding RM4,000? (1 mark)

(Total: 25 marks)

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APPENDIX

The following rates and allowances are to be used in answering all questions:

(a) Rates of tax for year of assessment 2019:

(i) Resident company — Paid up capital >RM2.5million : 24%
Paid up capital <RM2.5million:
First RM500,000: 17%
Next RM500,000: 24%

(ii) Non-resident company — 24%

(iii) Non-resident individual — 28%

(iv) Resident individuals:

Chargeable Income (RM)		Rate %	Tax payable (RM)
On the first	2,500	0	0
On the next	2,500	0	0
On the first	5,000		0
On the next	5,000	1	50
On the first	10,000		50
On the next	10,000	1	100
On the first	20,000		150
On the next	15,000	3	450
On the first	35,000		600
On the next	15,000	8	1,200
On the first	50,000		1,800
On the next	20,000	14	2,800
On the first	70,000		4,600
On the next	30,000	21	6,300
On the first	100,000		10,900
On the next	50,000	24	12,000
On the first	150,000		22,900
On the next	100,000	24	24,000
On the first	250,000		46,900
On the next	150,000	24.5	36,750
On the first	400,000		83,650
On the next	200,000	25	50,000
On the first	600,000		133,650
On the next	400,000	26	104,000
On the first	**1,000,000**		**237,650**
Excess		28	

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(b) Value of benefits in kind – Motor Vehicle and Related Benefits

Cost Of Car When New (RM)	Annual Value Of BIK (RM)	Fuel Per Annum (RM)
Up to 50,000	1,200	600
50,001 - 75,000	2,400	900
75,001 - 100,000	3,600	1,200
100,001 - 150,000	5,000	1,500
150,001 - 200,000	7,000	1,800
200,001 - 250,000	9,000	2,100
250,001 - 350,000	15,000	2,400
350,001 - 500,000	21,250	2,700
500,001 and above	25,000	3,000

(c) Prescribed value of household furnishing, apparatus and appliances.

Category	Types Of BIK	Annual Value Of BIK
(a)	Semi-furnished with furniture in the lounge, dining room or bedrooms.	RM840 (RM 70 per month)
(b)	Semi-furnished with furniture as above and one or more of the following:- air-conditioners, curtains and carpets.	RM1,680 (RM 140 per month)
(c)	Fully-furnished with benefits as above plus one or more of the following:- kitchen equipment, crockery, utensils and appliances.	RM3,360 (RM 280 per month)
(d)	Service charges and other bills such as water and electricity and telephone	Service charge and bills paid by the employer

(d) Prescribed value of other benefits

Item	Types Of BIK	Value Of BIK (RM)
(a)	Gardener	3,600 per annum
(b)	Driver	600 per month
(c)	Domestic servant	4,800 per annum
(d)	Guard	4,800 per annum

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(d) Relief for year assessment 2019:

	PERSONAL RELIEF FOR YA 2019	**RM**	
1	Taxpayer	9,000	
2	Disable taxpayer (additional relief)	6,000	
3	Wife relief (claimed by husband) : Wife elects joint assessment or no source of income : Wife disabled (additional relief)	 4,000 3,500	
4	Husband relief (claimed by husband) : Husband elects joint assessment or no source of income : Husband disabled (additional relief)	 4,000 3,500	
5	Medical expenses for taxpayer's parents (restricted to)	5,000	
6	Parental care • Father • Mother (Age > 60 years old, annual income ≤RM2,400)	 1,500 1,500	
7	Medical expenses for taxpayer, spouse and children on serious disease (including RM500 medical examination)	6,000	With receipts
8	Supporting equipment for disabled taxpayer spouse, children or parents	6,000	
9	Child relief (claimed by husband or wife) • Per child (below 18 years old) • Per child (over 18 years old) - Universities or college • Disabled child (unmarried) • Disabled child (over 18 years old) - Universities or college	 2,000 8,000 6,000 14,000	
10	Amount deposited into Skim Simpanan Pendidikan National (SSPN) for child (restricted to)	8,000	
11	EPF or approved provident fund (contributed by employee)	4,000	
12	Premium on deferred annuity contract and private retirement scheme	3,000	
13	Insurance premium for education/medical (restricted to)	3,000	
14	Life insurance premium • Public servants under pension scheme • Others	 7,000 3,000	
15	Employee's contribution to Social Security Organisation (SOCSO) Scheme	250	

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16	Education fees paid by taxpayer for his own improvement in relation to law and accounting, Islamic finance, industrial, scientific or technological skills or postgraduates studies (Master, PhD) in Malaysia	7,000	
17	Lifestyle expenses for taxpayer, spouse and children -purchase reading materials -purchase sports equipment -purchase computer, smartphone/tablet -internet subscription -gym membership fee	2,500	
18	Breastfeeding equipment (child age $\leq$2 years old)	1,000	
19	Fees paid to childcare centre & kindergarten	1,000	

End of Paper